



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

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Comptroller

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

December 18, 2009

Frank Oswald, Executive Director
City of St. Louis Building Division
1200 Market Street
St. Louis, MO 63103

RE: Community Development Block Grant (CDBG) (Project #2009-CDA53)

Dear Mr. Oswald:

Enclosed is a report of the fiscal monitoring review of the City of St. Louis Building Division, a division of the City of St. Louis, CDBG program, for the period April 1, 2007 through December 31, 2008. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of City of St. Louis Building Division. Fieldwork was completed on August 19, 2009.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis Community Development Administration (CDA) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

Kenneth M. Stone
Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, CDA
Lorna Alexander, Special Assistant for Development, CDA



CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**CITY OF ST. LOUIS BUILDING DIVISION
CONTRACT #08-36-20, #06-LHRD-04 AND #06-LHC-04
CFDA #14.218, #14.905 AND #14.900**

FISCAL MONITORING REVIEW

APRIL 1, 2007 THROUGH DECEMBER 31, 2008

PROJECT #2009-CDA53

DATE ISSUED: DECEMBER 18, 2009

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
CITY BUILDING DIVISION
FISCAL MONITORING REVIEW
APRIL 1, 2007 THROUGH DECEMBER 31, 2008**

TABLE OF CONTENTS

<u>Description</u>	<u>Page(s)</u>
INTRODUCTION	
Background	1
Purpose	1
Scope and Methodology	1
Exit Conference	1
Management's Responses	2
SUMMARY OF OBSERVATIONS	
Conclusion	3
Status of Prior Observations	3
A-133 Status	3
Summary of Current Observations	3
DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES	4-5

INTRODUCTION

Background

Contract Name: City of St. Louis Building Division

Contract Numbers: 08-36-20, 06-LHRD-04, 06-LHC-04

CFDA Numbers: 14.218, 14.905 and 14.900

Contract Periods: January 1, 2008 through December 31, 2008 (08-36-20)
April 1, 2007 through April 30, 2010 (06-LHRD-04)
July 1, 2007 through June 30, 2010 (06-LHC-04)

Contract Amounts: \$429,000 (08-36-20)
\$2,605,777 (06-LHRD-04)
\$1,553,576 (06-LHC-04)

These contracts provided funds from the Community Development Administration (CDA) for lead remediation, lead hazard control, and healthy home repair programs to the City of St. Louis Building Division (Agency) to provide assistance to low and moderate income homeowners, preserve the viability of their homes and systematically address emergency repair needs, bring homes up to current health and safety building code compliance, and control or abate lead hazards.

Purpose

The purpose of this review was to determine the Agency's compliance with federal, state and local CDA requirements for the period April 1, 2007 through May 31, 2009, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by CDA. Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on August 19, 2009.

Exit Conference

The Agency was offered the opportunity for an exit conference on December 2, 2009, but the Agency declined.

Management's Responses

On November 19, 2009, the Agency was provided with our observations and recommendations and a response was requested by December 2, 2009; however, as of the date of the report, the Agency has not responded.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did fully comply with federal, state and local CDA requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2008-CDA21 issued November 25, 2008 contained two observations:

1. Failure to submit monthly financial reports in accordance with the contract provisions. **(Repeated. See current observation #1)**
2. Failure to operate within the provisions of the contract budgets. **(Repeated. See current observation #2)**

A-133 Status

The Agency's contracts were covered during the City's OMB A-133 Single Audit Report for the year ending June 30, 2008.

Summary of Current Observations

Recommendations have been made for the following observations, which if implemented could assist the Agency in fully complying with federal, state and local CDA requirements.

1. Opportunity to submit monthly financial reports in accordance with the contract provisions
2. Opportunity to operate within the provisions of the contract budgets

**DETAILED OBSERVATIONS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES**

1. Opportunity To Submit Monthly Financial Reports In Accordance With The Contract Provisions

The Agency did not submit any monthly financial and programmatic reports to the City's Federal Grants Section and CDA as required by Section 6 of its contracts.

These reports are necessary to ensure proper operation of the work program activities of the contract.

The contract as well as CDA's fiscal procedures require monthly reports be submitted no later than the 10th calendar day following the reporting month.

The Agency did not have a system of internal controls in place to ensure compliance with the reporting requirements of the CDA fiscal procedures.

Failure to comply with the reporting requirements in a timely manner may result in suspension or termination of the federal award.

Recommendation

The Agency should implement a system of internal controls to ensure that the monthly financial and programmatic reports are submitted in accordance with the CDA requirements.

Management's Response

On November 19, 2009, the Agency was provided with our observations and recommendations and a response was requested by December 2, 2009; however, as of the date of the report, the Agency has not responded.

2. Opportunity To Operate Within The Provisions Of The Contract Budgets

The Agency exceeded the personnel budget of the contract without prior written approval from CDA. The Agency charged seven lead abatement inspectors to the grant contract 06-LHC-04; however, the personnel schedule of the contract allowed for only four lead abatement inspectors. In addition, the Agency charged the contract for two other positions, program manager II and environmental health supervisor, that were not allowed for in the contract.

Section four of the contract requires that no more than the amounts specified in Part C of the budget may be expended for any outlined cost category without prior written approval of CDA. In addition, Section five of the contract requires that budget changes shall be incorporated as written amendments to the agreements.

According to CDA's housing program manager, personnel action forms were not timely prepared and submitted at fiscal year end in order for salaries and other incentives to be charged within the current year. The Agency was not sure at what point its subsequent contract rollover took place.

The Agency did not have a system of internal controls to ensure compliance with the requirements of the grant contract.

Non-compliance with the terms and conditions of the grant contract may result in suspension or termination of the federal awards.

Recommendation

The Agency should implement a system of internal controls over grants expenditures to ensure that contract budgets are not exceeded without the prior approval of CDA.

Management's Response

On November 19, 2009, the Agency was provided with our observations and recommendations and a response was requested by December 2, 2009; however, as of the date of the report, the Agency has not responded.